

**FACTORS INFLUENCING BIODIVERSITY REPORTING
IN HOTEL INDUSTRY**

EDZUWYN FATHIN HAJI MAHYUDDIN

**Research report in partial fulfillment of the requirements for
the Degree of Master of Business Administration**

UNIVERSITI SAINS MALAYSIA

2015

ACKNOWLEDGEMENT

First and foremost, I am grateful to Allah S.W.T for blessing me with this opportunity to complete this dissertation. I would also like to thank my supervisor, Associate Professor Dr. Azlan Amran for his guidance and endless support throughout the dissertation process. I am grateful to have him as my supervisor as he has assisted and supported me in every possible way. I am constantly motivated and amazed by his knowledge and his willingness to share his invaluable time and expertise throughout this journey. I owe him more than I can adequately express and offer him my sincerest appreciation and deepest thanks.

I would also like to extend my heartfelt gratitude to my family members and friends for their invaluable moral support throughout the entire period of my MBA study and their strong support and motivation during the preparation of this thesis. I am forever in debt for having them as my loyal listeners to my endless whine.

Not to forget, my warm thanks to my colleagues in BJIM who have given direct and indirect support in helping me to complete my thesis and sharing the hectic and madness of working together as a team.

Thank you.

TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	i
TABLE OF CONTENTS.....	ii
LIST OF TABLES.....	vi
LIST OF FIGURES.....	vii
ABSTRAK.....	viii
ABSTRACT.....	x
CHAPTER ONE- INTRODUCTION.....	1
1.1 Background of study.....	1
1.2 Biodiversity.....	2
1.3 Tourism Addressing Biodiversity.....	6
1.4 Biodiversity Reporting in Hotel Industry.....	9
1.5 Problem Statement.....	11
1.6 Research Questions.....	12
1.7 Research Objectives.....	13
1.8 Definition of Key Terms.....	14
1.9 Significance of the Study.....	15
CHAPTER TWO-LITERATURE REVIEW.....	18
2.1 Introduction.....	18
2.2 Theories.....	18
2.2.1 Stakeholder Theory.....	18
2.2.2 Institutional Theory.....	20
2.2.3 Legitimacy Theory.....	21
2.3 Biodiversity.....	22
2.4 Biodiversity and Hotel Industry.....	25

2.5	The Need for Sustainability Reporting.....	27
2.6	Biodiversity Reporting.....	29
2.7	Board of Directors and Positive Organisational Deviance.....	32
2.7.1	Board with Environmental Experience.....	33
2.7.2	Board in Corporate Social Responsibility (CSR) Committee...	34
2.7.3	Board Networks in Environmental Organisation/ NGO.....	36
2.8	Brand Name/ Reputation.....	37
2.9	Hotel Size.....	37
2.10	Type of Hotel.....	38
2.11	Hotel Location.....	39
2.12	Market Diversification.....	39
2.13	Theoretical Framework.....	40
2.14	Hypothesis Development.....	43
2.14.1.	BOD Number of Environmental Experience.....	43
2.14.2	BOD in Corporate Social Responsibility (CSR) Committee...	44
2.14.3	BOD Networks in Environmental Organisation/NGO.....	45
2.14.4	Brand Name/ Reputation.....	46
2.14.5	Type of Hotel.....	47
2.14.6	Hotel Size.....	48
2.14.7	Hotel Location.....	48
2.14.8	Market Diversification.....	49
2.15	Summary of Hypotheses.....	51
	CHAPTER 3-METHODOLOGY.....	54
3.1	Introduction.....	54
3.2	Research Design.....	54
3.2.1	Type of Study.....	54

3.2.2	Population.....	55
3.2.3	Sample Frame.....	56
3.2.4	Unit of Analysis.....	56
3.3	Measurement of Variables and Constructs.....	57
3.3.1	Measurement of Independent Variables.....	57
3.3.2	Measurement of Dependent Variable.....	59
3.3.3	Measurement of Moderating Variable.....	64
3.4	Data Analysis.....	65
3.4.1	Assumption of Multiple Regression Analysis.....	66
3.5	Summary.....	69
	CHAPTER 4- RESULTS AND FINDINGS.....	70
4.0	Introduction.....	70
4.1	Sample Profile.....	70
4.2	Descriptive Analysis.....	71
4.3	Correlation Analysis.....	75
4.4	Assumptions Testing of the Multiple Regression Analysis.....	80
4.4.1	Normality.....	80
4.4.2	Linearity of the Relationship.....	80
4.4.3	Autocorrelation (Independent of Residual).....	81
4.4.4	Multicollinearity.....	81
4.5	Hypothesis Testing-Multiple Regression Analysis.....	81
	CHAPTER FIVE-DISCUSSION AND CONCLUSION.....	94
5.1	Introduction.....	94
5.2	Recapitulation of the Study.....	94
5.3	Discussion of the Findings for Multiple Regression.....	97
5.3.1	Number of BOD with Environmental Experience and	98

Biodiversity Reporting	
5.3.2 Number of BOD in CSR Committee and Biodiversity Reporting	99
5.3.3 Number of BOD in Environmental Organisation/NGO..... and Biodiversity Reporting	100
5.3.4 Brand Name/Reputation and Biodiversity Reporting.....	100
5.3.5 Type of Hotel (Star Rating) and Biodiversity Reporting.....	101
5.3.6 Size of Hotel and Biodiversity Reporting	101
5.3.7 Hotel Location and Biodiversity Reporting.....	102
5.3.8 Moderating Effect of Market Diversification.....	103
5.4 Summary of Findings.....	104
5.5 Implication of the Study.....	104
5.6 Limitation of the Study.....	108
5.7 Suggestion for Future Research.....	108
REFERENCES.....	110
APPENDIX A.....	132
APPENDIX B.....	137

LIST OF TABLES

Table 1	Measurement of Independent Variables.....	57
Table 2	Framework for Biodiversity Reporting.....	60
Table 3	Global Reporting Initiative Standard Performance Disclosure for Biodiversity.....	63
Table 4	Descriptive Statistic for Dependent Variable.....	71
Table 5	Descriptive Statistic for Dependent Variable Range.....	71
Table 6	Descriptive Statistic for Continuous Independent Variable Data.....	72
Table 7	Descriptive Statistics for Discrete Variable Data for Brand Name/Reputation.....	73
Table 8	Descriptive Statistics for Discrete Variable Data for Type of Hotel (Star Rating).....	73
Table 9	Descriptive Statistics for Discrete Variable Data For Hotel Size	74
Table 10	Descriptive Statistics for Market Diversification.....	75
Table 11	Correlations.....	77
Table 12	Statistical Summary Results of Multiple Linear Regression-BRI.....	83
Table 13	Coefficients of Multiple Linear Regression Analysis.....	85
Table 14	Summary of Hypotheses.....	92

LIST OF FIGURES

Figure 1	Proportion in different threat categories of extinction risk from IUCN Red List.....	3
Figure 2	Theoretical Framework.....	42
Figure 3	Illustrator of Moderator Variable.....	90

ABSTRAK

Biodiversiti adalah salah satu daripada teras pembangunan mampan, perniagaan akan secara langsung atau tidak langsung terjejas dan operasi akan terganggu disebabkan oleh kehilangan biodiversiti pada kadar yang membimbangkan. Oleh itu, pemeliharaan biodiversiti harus dijadikan keutamaan kepada perniagaan terutamanya industri pelancongan yang kebanyakannya bergantung kepada keunikan kecantikan semula jadi alam sekitar. Dengan peningkatan jumlah organisasi seluruh dunia menyedari keperluan untuk memulihara biodiversity, hotel cuba untuk menilai dan mengindari impak kepada persekitaran akibat daripada operasi. Akibatnya, permintaan untuk maklumat tersebut daripada pihak berkepentingan semakin meningkat. Maka, untuk menampilkan akauntabiliti dan ketelusan, hotel bertanggungjawab dalam pendedahan laporan biodiversiti. Justeru, dengan menggunakan teori *stakeholder*, *legitimacy* dan *institutional*, kajian ini mengkaji faktor yang mempengaruhi laporan biodiversiti antara hotel. Kajian ini juga menggunakan analisis kandungan untuk menganalisis tahap pendedahan laporan biodiversiti. Beberapa pembolehubah seperti bilangan direktor yang mempunyai pengalaman dalam bidang persekitaran, bilangan direktor dalam jawatankuasa Tanggungjawab Sosial Korporat, bilangan direktor dalam organisasi persekitaran/ organisasi bukan kerajaan, reputasi jenama, jenis hotel, saiz hotel dan lokasi hotel telah dipilih sebagai proksi and pengaruh pembolehubah tersebut kepada tahap pendedahan laporan biodiversity diuji. Kepelbagaian pasaran dipilih sebagai moderator di antara proksi dan tahap pendedahan laporan biodiversity di industri perhotelan. Hasil menunjukkan bilangan direktor dalam organisasi persekitaran/ organisasi bukan kerajaan mempunyai hubungan positif yang signifikan dengan tahap

pendedahan laporan biodiversity antara hotel. Selain itu, hanya kesan moderator kepelbagaian pasaran dan bilangan director dalam organisasi persekitaran/ organisasi bukan kerajaan (INT3) menunjukkan hubungan signifikan pada tahap laporan biodiversity. Keseluruhannya, kajian ini menunjukkan tahap pendedahan laporan biodiversity dalam industri perhotelan masih lagi baru.

ABSTRACT

Biodiversity is one of the core of sustainable development, businesses will be directly or indirectly affected and operations will be disrupted due to the alarming rate of biodiversity losses. Biodiversity conservation hence should be the top priority in businesses especially tourism industry that is more or less relying on the uniqueness of natural beauty of the environment. With the increasing number of organisations around the world recognizing the need to conserve biodiversity, hotels are trying to measure and mitigate the environmental impact that caused by its operations. Consequently, demand from the stakeholders for such information are increasing. As such, in order to show accountability and transparency, hotels are obliged to disclose biodiversity reporting. Thus, using Stakeholder Theory, Institutional Theory and Legitimacy Theory, this study investigates the factors influencing biodiversity reporting among hotels. The study uses content analysis to analyse the extent of biodiversity disclosure. Several variables such as number of board of director with environmental experience, number of board of director in CSR committee, number of board of director in environmental organisation/ NGO, brand reputation, type of hotel, size of hotel and hotel location are selected as proxy and their influence on the extent of biodiversity reporting were tested. Market diversification is chosen as the moderator between the proxies and the extent of biodiversity reporting in hotel industry. The result reveals that, number of board of director in environmental organisation/NGO and hotel location have significant positive relationship with the extent of biodiversity reporting among the hotels. Besides, only moderating effect of market diversification and the number of board of director in environmental organization or NGO (INT3) shows significant relationship on the extent of

biodiversity reporting. Overall, this study revealed that disclosure of biodiversity reporting is still novel in hotel industry.

Chapter 1 INTRODUCTION

1.1 Background of the Study

In the last decades, the concept of sustainable development has increasingly become the agenda, not only of the private sector but also government agencies, non-governmental organisations (NGOs), academia as well as the general public. Organisations all over the world are now progressively more responsive towards sustainable issues. It has become the roles of organizations in addressing the sustainable issues arising such as climate change, waste production and recycling in their operation and management (Amran, Lee & Devi, 2014). The way the organization operates and its impacts to the environment are critical and their performances need to be measured to ensure they are operating effectively and benefiting the society.

Nowadays, it is rather difficult for the nation states to thoroughly and effectively monitor and control transnational phenomena such as pollution, climate change and the decline in biodiversity. In addition, due to their global flexibility, corporations are only limitedly bounded to the legal framework and partially elude from the authority of the nation states. Hence, corporations must be allowed to contribute in constructing such framework or policies together with governments which was discussed in World Business Council for Sustainable Development (Griffiths, 2010). As a consequence, the business community is regarded as a trigger of various problems but is also equipped with the capabilities to solve them. Apart from that, being committed to the natural environment through environmental initiatives and practices is seen to be helping organizations in gaining competitive

advantage and the level of performance is improved (Convention on Biological Diversity, 2005). Most organizations are being scrutinized by stakeholders' interests in reflecting their growing concern in addressing sustainable issues. Therefore, there are some organizations prioritizing sustainability issues particularly biodiversity into strategies pertaining sustainability development (Griffiths, 2010). The Guardian also stated that governments need to form partnerships with organizations in achieving biodiversity goals sets for 2020. This is because government alone will not be able to take action in conserving biodiversity and thus, should cooperate with organizations who act as progressive actor in regards to reversing the loss of biodiversity. Companies are increasingly concern with the sustainable development as businesses will be directly or indirectly affected by the loss of biodiversity besides operations will be disrupted (Ruiz, 2015).

The World Commission on Environment and Development defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. As stated by World Tourism Organization, sustainability is based on conservation of natural resources, cultural and reducing the impacts on the environmental and sociocultural due to tourism, the environmental quality of destinations are being maintained and improved, tourists experiencing high quality services and tourism benefits are being distributed fairly to the society (Alvarez, 2014).

1.2 Biodiversity

Biodiversity comes from the word “biological diversity” in which being described as “the variability among living organisms from all sources including, inter

alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems (Convention on Biological Diversity, 2004). Biodiversity is known as one of the core of sustainable development (International Union for Conservation of Nature and Natural Resource (IUCN), World Business Council for Sustainable Development, 2002). Biodiversity consist of ecosystems, species and genetic that provided life support system for the planet. According to IUCN, World Business Council for Sustainable Development, the fundamental objectives of biodiversity established are conservation of biodiversity, sustainable use of biological resources and finally equitable sharing of biodiversity benefits. However, according to United Nation Report, the efforts to meet the target in stopping the loss of biodiversity are unfortunately worsening. The target to reduce the loss of natural habitats is undoubtedly will be missed as the global rates of deforestation are also alarmingly high (Vaughan, 2014).

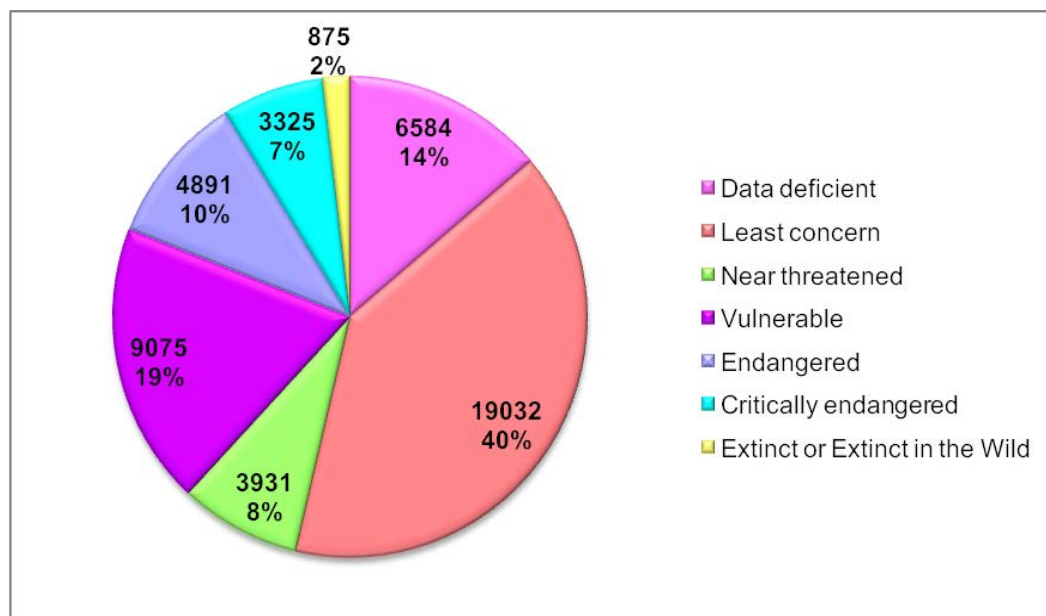


Figure 1 *Proportion of all assessed species in different threat categories of extinction risk based on 47,677 species from the IUCN Red List*

(Source: Global Biodiversity Outlook 3)

According to the Figure 1, 40% of the overall species in the IUCN Red List are least concern while 19% of them are at vulnerable stage of extinction. These percentages are dramatically increasing and worsen by 5 principle pressures on biodiversity unrelentingly. The loss of habitat and degradation, the change of climate, excessive pollution, over-exploitation on the natural resources and invasive alien species are among the main causes that pressures on biodiversity.

Based on World Wildlife Fund (Andrews, 2014) report on biodiversity, 52 percent of planet's biodiversity is lost in forty-year period as the human population doubled. Biodiversity is undoubtedly in crisis which shows the nature will not be able to uphold the pressure that the humanity is placing on the planet. These can be explained as follows:

- Coral reefs are known to be providing food, protection towards storm, jobs and recreation through tourism and others for more than 500 million people in over the world however, 70% of coral reefs are threatened or destroyed.
- Over 19,265 species out of 59,507 are threatened with extinction so far.
- Of the world's 5,494 mammals, 78 are Extinct or Extinct in the Wild, with 191 Critically Endangered, 447 Endangered and 496 Vulnerable.
- 1,910 of the planet's 6,312 amphibians are in danger of extinction, making them the most threatened group of species known to date.

- 6 million hectares of primary forest have been lost each year since the year 2000.
- Hard coral cover has declined from 50% to 10% in the Caribbean region in the past three decades.
- In just 20 years, 355 of mangroves have been lost.

(Source: IUCN,2014)

Seemingly, human activities are responsible in becoming the threats to biodiversity. The loss of habitat and degradation has caused 86% of all threatened birds, 86% of the threatened mammals and 88% of threatened amphibian assessed to be affected. Other activities such as resource extraction, hunting and fishing for food, pets and medicine show over-exploitation of natural resources. Apart from that, pollution, diseases and human-induced climate change were also among the threats to biodiversity. As reported in WWF, 2014, the astounding downfall is due to the cause of human activities thus, business and society are both responsible to the deteriorating situation as well as finding solutions to solve it (IUCN, 2014).

According to Griffiths from The Guardian (2010), the role of businesses is significant in ensuring the sustainable use of natural resources and the mitigation of impact on biodiversity. For example, natural resources are use as raw materials in producing products and business activities may pose environmental damages due to pollution. Hence, businesses play a pivotal role in conserving biodiversity as they may be facing risks of not adhering to preserving biodiversity (IUCN, 2002). Risk imposed on those organizations for not addressing biodiversity such as its legal license to

operate will be challenged, supply chain is disrupted, brand image and reputation will be tarnished or damaged, consumer boycotts or campaigns by environmental NGOs, fines or future environmental liabilities, ratings in financial markets will be lower and lack of staff morale in the organization (IUCN, 2002). Businesses should know their role in preserving biodiversity by understanding the importance of biodiversity, its value and reasons in maintain or restoring biodiversity.

1.3 Tourism addressing biodiversity

Tourism is closely related to the natural environment with both having reciprocal influence of each other (Convention on Biological Diversity, 2005). Thus, biodiversity is known as one of tourism's greatest assets as areas of uniqueness of natural beauty will be attracting vast numbers of tourists. Therefore, tourism is indeed a biodiversity dependent sector and responsible in safeguarding the biodiversity on Earth (United Nation World Tourism Organization, UNWTO, 2014). Tourism has becoming one of the world's most important industrial sectors that will not only produce high economic gain but may also causes negative impact on the environment and natural attractions from its activities.

It is stated that when the site is attractive, it will become popular and thus leads to deteriorations due to high visitation (Convention on Biological Diversity, 2005). Hence, tourism is an ideal medium in encouraging and promotes the awareness towards the significance of biodiversity to mankind and the need for conservation (UNWTO, 2014). Over the years, there are numbers of organizations from around the world that partake in partnership to provide awareness and guidelines in preserving and protecting biodiversity around the world. For example, United Nation World

Tourism Organisation (UNWTO) has work together with the Secretariat of the Convention on Biological Diversity (CBD) in sustaining the nature's rich diversity. Due to the continued loss of biodiversity, International Year of Biodiversity was declared on 2010 by the United Nation (UN) General Assembly. Besides that, UNWTO held World Tourism Day 2010 with the theme of Tourism and Biodiversity coinciding with the year. It was a critical move to demonstrate that besides depending on conservation of biodiversity for a long-term growth, tourisms should also be contributing to the protection of biodiversity (UNWTO).

In 1972, the Convention Concerning on Protection of the World Cultural and Natural Heritage was adopted to provide designation of natural or cultural sites as World Heritage sites in order to safeguard the protected areas (IUCN, 2002). For example, an eco-tourism company from Indonesia partnered with The Nature Conservancy managed Komodo National Park as World Heritage site with the support from the Global Environmental Facility. From the perspective of tourism, sustainable development simply means environmental and natural resources should be protected and conserved for the host destination and community apart from merely gaining profitability (Alvarez, 2014). Thus, incorporating sustainability perspective in tourism development initiatives is mainly to minimize the negative impacts of tourism and at the same time to increase the benefits of its activity to the overall community (Spenceley & Meyer, 2012; Briedenhann & Wickens, 2004).

As mentioned in Tang, Amran & Goh (2013), hotels are mostly set up around the tourist attractions; therefore environmental issues at the tourist destination will have negative impact on the hotel industry and indirectly affecting the business such as decreasing number of tourist. Hotels and tourism industry should be working closely together as any environmental destruction will be affecting both of them

(Tang, Amran & Goh, 2013). The capacity of tourism of helping or destroying natural resources are questioned as tourism industry does not only affect the nature but also the society at large. Since hotels are major tourism actors, it poses high environmental impacts that lead to sustainability of the destination being affected whereby high amount of natural resources were consumed for development and operation (Convention on Biological Diversity, 2005). Among the impacts of tourism in relation to the biodiversity are as the following:

- The use of land and natural resources for the accommodation and tourism facilities and include other infrastructure such as seaports and airports.
- The extraction and the use of building materials such as the use of sand from beaches and wood from the forest.
- Caused damages and annihilation of ecosystems and natural habitats which includes deforestation, wetlands being drained.
- Risk of erosion and fires are increased.
- Disturbance of wild species which then leads to disruption of normal behavior and affecting mortality and reproductive success.
- The utilization of flora and fauna by the tourists that is unsustainable such as the purchase of manufactured souvenirs from wildlife.
- Caused contamination of land, freshwater and seawater resources through chemical wastes, toxic substances and pollutants.
- Increase of pollution and greenhouse gases produced from air, road, rail or sea travelling.

- Severe water demand from tourism and excessive extraction groundwater.

(Source: CBD Guidelines on Biodiversity and Tourism Development, 2005)

Consequently, stakeholders are concerned on the impact towards biodiversity and demands for information are increasing and reporting is critically scrutinized (Samkin and Schneider, 2014). One of the major elements in good corporate governance is transparency in which reporting is practice to ensure information are being transferred to the stakeholders. Negative perceptions on the business operations by the stakeholders may be avoided thus retaining the company's reputation and legitimacy (Amran & Ooi, 2014). Therefore, this leads to voluntary sustainability reporting as defined as "the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable developments" (GRI, 2006, p.3).

1.4 Biodiversity reporting in hotel industry

In recent years, with the growing recognition of sustainable development concept, there is a growing number of companies publishing separate sustainability performance report namely corporate social responsibility reporting, sustainability reporting, responsible reporting or triple bottom line reporting (Legrand et al, 2013). Companies are obliged to ensure sufficient information to show accountability (Charkham, 2005).

Demand from the stakeholders causes hospitality industry to communicate effectively on environmental and social commitment (Epstein, 2008). Besides that,

pressure from the environmentalist group for more transparency are the reason companies show accountability of their performance by providing environmental and social information (Brockett & Rezaee, 2012). According to KPMG, 93% of 250 companies over the world had disclosed information on sustainability policies and performance in 2011. Bebbington et al. (2008) reported that biodiversity reporting is still novel despite of increasing of disclosures on environmental information in annual reports.

Organization may have advantages of fulfilling obligations of a stricter law. Besides that, the image of an organization can also be improved by practicing transparency in reporting sustainability practices. As organization operating in sustainability way will be more favoured, organization will report on biodiversity in order to receive attention from the government, business, NGOs and society (Boggia et al, 2008).

Organizations' are gaining recognition by portraying good organizational governance in ensuring its operations and activities are causing less impact towards the ecosystem and society. Multiple opportunities may be gained by addressing biodiversity in reporting such as securing license to operate, bolstering stakeholder relationships and strengthening the supply chain. Other than that, companies may also be more appealing to ethical consumers, ensuring sustainable growth and indirectly improving employee productivity. Most importantly, biodiversity reporting will attract more socially responsible investors to the business (IUCN, 2002). Nevertheless, to date, the companies incorporating biodiversity reporting are low.

1.5 Problem statement

Seemingly, there is an increase of environmental reporting within annual reports among the organisations (Bebbington et. al, 2008). However, reporting on biodiversity impacts has not been showcased widely. This could be due to the fact that organizations find it difficult to measure the value of biodiversity and the activities that may be impacting on it (Samkin et al, 2014). Based on the past academic research, it is found that no specific studies that focused on biodiversity reporting in hotel industry. The reason being the studies on biodiversity reporting are still new. Besides that, biodiversity disclosure has been ignored by most accounting literature (Samkin et al, 2014). Therefore, this research is conducted to close the gap by examining the extent of biodiversity reporting in hotel industry. This study is also focusing on whether good governance has influences on biodiversity reporting. Apart from that, the characteristic of the board of directors (BOD) and firms are examined whether or not they play any role of influencing biodiversity reporting. One of the research problems of the study is to determine the factors influencing biodiversity reporting in hotel industry.

The factors that influencing biodiversity reporting in hotel industry can be divided into two namely the characteristics of the board of directors and characteristics of the hotel. The characteristics of the board of directors to be examined are the number of environmental experience among the BOD, the number of Corporate Social Responsibility committee and the network of BOD in environmental organisations or NGOs. The hotel brand reputation, type of hotel (star rating), the hotel size and location are among the characteristics of hotels to be studied as factors influencing biodiversity reporting.

1.6 Research Questions

1) Do the characteristics of Board of Directors and characteristics of hotel have influence on biodiversity reporting in hotel industry?

a) Does the hotel's Board of Directors' environmental experience have influence on the extent of the biodiversity reporting in hotel industry?

b) Does the hotel's Board of Directors' as Corporate Social Responsibility committee have influence on the extent of the biodiversity reporting in hotel industry?

c) Does the hotel's Board of Directors' network in environmental organizations or NGOs have influence on the extent of the biodiversity reporting in hotel industry?

d) Does the hotel's brand reputation have influence on the extent of biodiversity reporting in hotel industry?

e) Does the hotel's size have influence on the extent of the biodiversity reporting in hotel industry?

f) Does the type of hotel (star rating) have influence on the extent of the biodiversity reporting in hotel industry?

g) Does the hotel's location have influence on the extent of the biodiversity reporting in hotel industry?

h) Does market diversification has moderating effect between the characteristics of Board of Directors and the extent of the biodiversity reporting in hotel industry?

i) Does market diversification has moderating effect between the characteristics of hotels and the extent of the biodiversity reporting in hotel industry?

2) How does the extent of biodiversity reporting in hotel industry?

1.7 Research Objectives

1) To determine the influence of characteristics of Directors on the extent of the biodiversity reporting in hotel industry.

a) To examine whether the hotel's Board of Directors' environmental experience has influence on the extent of the biodiversity reporting in hotel industry.

b) To examine whether the hotel's Board of Directors' as Corporate Social Responsibility committee has influence on the extent of the biodiversity reporting in hotel industry.

c) To examine whether the hotel's Board of Directors' network in environmental organizations/ NGOs has influence on the extent of the biodiversity reporting in hotel industry.

2) To determine the influence of characteristics of hotel on the extent of the biodiversity reporting in hotel industry.

a) To examine the hotel's brand reputation has influence on the extent of biodiversity reporting in hotel industry.

b) To examine whether the hotel's size has influence on the extent of the biodiversity reporting in hotel industry.

c) To examine whether the type of hotel has influence on the extent of the biodiversity reporting in hotel industry.

- d) To examine whether the hotel's location has influence on the extent of the biodiversity reporting in hotel industry.
- 3) To determine whether market diversification moderate the relationship between the characteristics of the board of director and the extent of the biodiversity reporting in hotel industry.
- 4) To determine whether market diversification moderate the relationship between the characteristics of the hotel and the extent of the biodiversity reporting in hotel industry.
- 5) To analyze the level of participation of hotels in addressing biodiversity in their report regardless sustainability report or annual report to the stakeholders.

1.8 Definition of Key Terms

In order to have better understanding of the concepts and for further discussion, the following key terms' definitions were referred.

1) Biodiversity Reporting

Biodiversity reporting is a reporting that should communicate the organisation's relationship with biodiversity and ecosystem services, shows its perceived role and responsibilities on biodiversity, policy and management approaches taken and the organisations' actual performance and results (GRI on Biodiversity, 2007).

2) Corporate Social Responsibility (CSR) Committee

CSR Committee is similarly to Social & Ethics Committee whereby they are responsible to monitor company's activities, in regards to any relevant legislation, best practices in relating to social and economic development and good corporate citizenship (Rossouw, 2012)

3) Brand Name/ Reputation

Brand name is considered as brand status in which company has identifiable brand name to the end consumer (Haddock-Fraser & Tourelle, 2010).

4) Market Diversification

Target market of the company with either only the local market or international market too.

1.9 Significance of the Study

Biodiversity is undoubtedly significant in sustainable development. The conservation of biodiversity, sustainable use of biological resource and equitable sharing of biodiversity benefits are among the fundamental of the objectives of biodiversity. The loss of biodiversity is at the alarming rate in these recent years in proportional to the increase of mankind.

Businesses especially in tourism industry which is one of the world's fastest growing industries are responsible to the impact on environment specifically on biodiversity. Despite of contributing to the economic growth, tourism activities may impose threats to the biological diversity; wildlife, plants and habitats through various tourist attractions involving natural beauty of the sites.

Therefore, with the urgency from various stakeholders on the conservation of biodiversity had caused growing number of hotels addressing environmental or sustainability information in their reporting in becoming transparency and practicing accountability in their performance. Apart from that, with the recognition of protecting and conserving biodiversity, hotel industries are able to uphold to its positive brand image and make strong market presence.

Thus, there is a need of biodiversity reporting among the hotel industry to gain competitive advantage in the market. Nonetheless, there is still very few of biodiversity reporting in hotel industry particularly which lead to this research study. As such, this study evaluates the factors influencing biodiversity reporting in hotel industry. The characteristics of board of directors are categorized by the number of environmental experience among the board of directors, the number of CSR committee in board of directors and the number network of board of directors in environmental organizations or NGOs. The other factor influencing biodiversity reporting to be evaluated is the characteristics of hotel such as the brand reputation of the hotel, the type of hotel (star rating), the hotel size, locations of the hotel and hotel's market diversification.

This study also analyzes the extent of reporting of hotel industry in addressing biodiversity in their report regardless sustainability report or annual report. The outcome of the research then can be used by hotel industry to better enhance their biodiversity conservation or protection communication depending on their targeted customers in order to increase the overall benefits from such disclosure. Other than that, this study also provides a clear indication on the extent of biodiversity information and the expectation of stakeholders towards their businesses. Most importantly, this study will not only provide insights to businesses especially in hotel

industry to disclose on biodiversity reporting but also contribute to the academic world by providing useful information as reference.

Chapter 2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

In this chapter, previous literatures on the research will be presented which is an overview of literatures on biodiversity, biodiversity and hotel industry, sustainability reporting and biodiversity reporting. Following to that are past research on board of directors, positive deviance, brand name or brand reputation, type of hotel (star rating), size, hotel location, and market diversification. End of the chapter, theoretical framework and hypothesis development will be presented.

2.2 Theories

There will be three types of theories to be discussed in this chapter which is Stakeholder theory, Institutional theory and Legitimacy theory.

2.2.1 Stakeholder Theory

Stakeholders comprises of internal and external stakeholders of individuals, or groups with similar interest in an organization. Stakeholders can be defined as individuals who can affect or are affected by the achievement of an organisation's objectives (Freeman, 1984). Stakeholders may also be grouped into a few groups such as core, competitive environment and external environment. The core of stakeholders group is consisting investors, employees and customers. As for competitive environment, stakeholders are the business partners, competitors and other regulatory

bodies while external environment consist of government and social sectors (Freeman, 1984).

As stakeholders comprises of different groups and individuals with multiple interests and needs, it may caused conflicts of interest. Thus, organizations need to prioritize different stakeholders to cater their needs and also consider limitation of resources. Stakeholders can be divided into two subcategories namely primary and secondary stakeholders (Freeman, 1984). The difference between the two categories is their participation and importance in organisation's survival in which primary stakeholders are whose participation will be impacting on the organization. In contrast, secondary stakeholders are not essential to organisation's survival yet may impose threat to the organization. Stakeholders may also be categorized further based on their power in the organisation, legitimacy and as well as urgency (Mitchell, Agle & Wood, 1997). Stakeholders are important elements in influencing organization to be transparent in providing information and shows accountability. Stakeholders are known to be powerful influence in providing direction, decision making and determining organisation's performance (Tang, Amran & Goh, 2013). According to GRI (2007), stakeholders' values together with scientific assessments in determining which ecosystem services are considered valuable in specific area and which biodiversity impacts considered acceptable. Conventionally, shareholders are owner of the company and have a goal of increasing the shareholder's wealth. Shareholders may or may not have direct involvement in the organization and would be able to affect corporate performance (Elijido-Ten, 2007). Therefore, with the demand and pressure by the stakeholders, organizations are driven to be transparent and be accountable in their reporting. Stakeholder theory is a way of clarifying and

responding to the demands and expectations on organizations by various social and political actors.

2.2.2 Institutional Theory

Internal and external stakeholders consists of customers, competitors, regulators and government sectors influence are due to social and cultural pressure imposed by the organisation's characteristics. This will then leads to influencing organisation's reporting. According to Walls & Hoffman (2012), governance is being practice by the organisation become diffused and homogenized across organizations due to coerciveness of isomorphisms, mimetic processes and also normative pressures. As a result of institutional driven and framework including institution and societal effects causes homogenization in the organization. This will then leads to posting pressure towards the organization to transform into organizational practices (Walls & Hoffman, 2012). Hence, referring to institutional theory, it is suggested that such framework and practices for example the organisational's political and cultural systems into shaping the governance and practice of biodiversity reporting. Apart from that, it can be considered that other parties such as NGOs, and unions or associations are among institution who may also pressure organizations to practice governance into addressing biodiversity (J. Galbreath, 2009). Organizations are deemed to be practicing positive organizational deviance in which benefitting not only the organization itself but also the society through mitigation the impact of their activities beyond of the regulation required (Aragon-Correa, 1998; Russo & Fouts, 1997; Walls et al., 2011). This positive organizational deviance is significant in sustainable practices that leads to extensive change in institutional that are crucial to

attain corporate sustainability (Walls & Hoffman, 2012). In the past institutional literature, there has been an increase of attention to active agency within the fields of organization in explaining the process of institutional change in complete manner (Hoffman & Ventresca, 2002). The latest institutional analysis focuses on the ability of individual organizations in various ways of meeting the institutional demands or rather by controlling the change at the level of the institutional field (Lawrence, 1999). The organization's network or relation with other organizations influences the practices and diffusions of information (Brass et al., 2004). Inter-organizational network relation among organizations effectively put pressure on the firms toward social cohesiveness and conformity (Westphal, Gulati & Shortell, 1997). However, there are numbers of organizations that do not comply with institutional demands. Thus, neo-institutionalism recognizes such deviance of departing from social norms in specific ways (Lawrence, 1999). Nonetheless, there has not been extensive research on such specific factors that results in such deviance (Bansal & Penner, 2002). Board of directors has significant role to firm's internal governance in understanding the connection of the organizational field (Walls & Hoffman, 2012).

2.2.3 Legitimacy Theory

Legitimacy theory focuses on organization's own internal needs to secure legitimacy to operate in the society (Adams, 2008). This theory correlated to the stakeholder's perspectives whereby organization is constraint to certain limitations which is acceptable to the stakeholders. According to Pfeffer (1981), legitimacy is sought by the organizations to ensure that they gain support and commitment from the stakeholders. Thus, the stakeholder's perception may be changed through

organization's actions and activities in order to ensure its legitimacy status. Seemingly, this theory is the most cited theories in addressing sustainability reporting (Joshi & Gao, 2009). In the context of biodiversity reporting, organizations take into account of being transparent and addressing to the issue of biodiversity in order to sustain and ensure the legitimacy of its business. Apart from that, they are also showing accountability and inclusiveness of information to cater stakeholders demands in addressing biodiversity. This may also includes complying to the government's policies of protecting and preserving biodiversity whereby companies are concern of getting recognition of being legitimate in the business.

2.3 Biodiversity

Biodiversity is a contraction of biological diversity which encompasses of varieties of living organisms. Biodiversity is at the core of sustainable development which impacts the quality of human life and a very vital component to the sustainability initiatives (IUCN, 2002). As a matter of fact, biodiversity is the variability of living organisms from all sources such as birds, fishes in the sea and even the microorganism that makes up the whole diversity of ecosystems. Such variability is vital in order for ecosystem to function effectively (GRI, 2007).

Known as important resources from anthropocentric and non-anthropocentric perspectives, biodiversity is essential to the well-being of the planet (Samkin and Schneider, 2014). For example, biodiversity is direct resources to the humankind in food production, medicine and others while providing indirect benefits of climate stabilization and pollination etcetera (Jones & Solomon, 2013). Mankinds are dependent on the natural richness of the planet for food, energy and raw materials

which benefits not only the economics but societies as well. Nonetheless, it is clearly stated that biodiversity is undeniably not free of charge (Gaston, 2000).

Biodiversity's erosion in the world has brought threats to the planet. As such, it is imperative for humankind to take this matter seriously and strive to the prevention of biodiversity further losses. However, the challenges related to conserving biodiversity have made this topic a global issue (Global Biodiversity Outlook 3, 2010). This is because the reductions of biodiversity will not only damaging the natural environment but economic and social factors in the long run.

Seemingly, organizations bring impact on biodiversity in two ways. All organizations make direct and indirect use of biodiversity resources for example forestry, agriculture and fisheries (IUCN, 2002). Moreover, organizations contribute to the alteration of biodiversity in terms of quantity and/or quality positively or negatively whether in direct activities or indirectly through secondary effects. These impacts are imperative towards biodiversity and ecosystem in which society depends for survival (GRI, 2007).

One of the fundamental objectives for biodiversity is conservation of biodiversity (IUCN, 2002). Among conservation actions of biodiversity are business operating responsibly, contribute to public policy and conservation projects, promoting research, education and awareness besides engaging stakeholders. For example, companies should engaged with many NGOs, the government, local communities and other stakeholders in order to formed biodiversity action planning process beside seeking view on adopting performance measure for biodiversity (IUCN, 2002).

Other elementary objective for biodiversity is sustainable use of biological resource (IUCN, 2002). Sustainable use simply means the use of components of biological diversity in a way and a rate that does not lead to the long-term decline of biological diversity thus maintain the potential to cater the present and future generations needs (IUCN,2002).

Lastly, the objective of biodiversity conservation is to have equitable sharing of biodiversity benefits (IUCN, 2002). This requires companies to incorporate management of biodiversity with social responsibility by adopting stakeholder approach, connecting investors, customers, employees, local society and others who are affected by the company's relationship with biodiversity (IUCN, 2002).

Companies are facing risks of not addressing biodiversity adequately. Risks faced by businesses are challenges to their legal license to operate, disruption of supply chain, tarnish of reputation or brand image, boycotts by consumer and demonstration by NGOs, fines for environmental damages, lower ratings in financial markets and lower morale of employees (IUCN, 2002). For this reason, businesses will gain opportunities by addressing biodiversity such as securing license to operate, strengthening the supply chain, boosting stakeholders relationships, appealing to ethical consumers, ensuring sustainable growth, attracting socially responsible investors and improving employee productivity (IUCN, 2002). Regardless of the importance of biodiversity, unfortunately those with economic and political power mostly in developing countries are opposing the measurement to conserve and protect biodiversity (Shah, 2013; Mikkelsen et al., 2007).